

Worst economic quarter meets best financial quarter

While the first quarter of 2020 will be remembered for the fastest market correction in living memory, the second quarter stands out as having delivered the swiftest economic contraction on record as the global economy effectively ground to a halt under various lockdown schemes around the world. Notwithstanding great uncertainty and deep economic malaise, global equity markets rebounded strongly on the back of coordinated monetary and fiscal stimulus. Both central banks and governments have shown a degree of decisiveness that has largely taken the worst-case scenarios off the table and the market has started to price in a recovery.

The shape of the recovery, however, remains highly uncertain as a potential 'second wave' of infections appears to be on its way. This would most likely prolong or even deepen existing lockdown measures. Plenty of commentators are at pains to highlight the apparent disconnect between the very weak economic data and generally higher risk asset pricing. We note that, in general, valuations have trended higher, especially in corners of the market deemed less sensitive to COVID-19 related downside risk. As a result, assets enjoying some form of structural growth element have significantly outperformed more cyclically sensitive assets, as has been the case for some time.

Contributors

This is also evident in the SKAGEN Kon-Tiki portfolio, which traded broadly in line with its benchmark index during the quarter. Our Korean battery manufacturers LG Chem and Samsung SDI delivered strong returns on the back of solid order books and an acceleration of EV subsidies in Europe. We also enjoyed a tightening of the Tencent discount of Naspers, which we believe will be a relative winner in a post-COVID world, and we added to the position during the quarter.

We also added to our position in Indian tractor and auto manufacturer

Mahindra & Mahindra, which rebounded strongly on better-than-feared operating performance and improved communication around capital allocation. We believe this is an important development and one that should greatly reduce the discount to fair value of the company.

With regard to the more cyclical holdings, the fund enjoyed solid returns from our copper-exposed miners Ivanhoe, Turquoise Hill and Lundin as commodity prices rebounded and the COVID-19 impact on operations has so far proved negligible. Due to a combination of falling inventories, curtailed supply and accelerating infrastructure spending, we continue to be positive about the long-term outlook for copper.

The biggest detractor during the quarter was crude oil tanker company Euronav, which had been the biggest contributor in Q1. As the oil price rebounded and contango reduced, shipping rates fell back and the shares reversed their gains.

The other biggest detractors were all in the financials sector as the combination of lower rates and potentially higher loan losses have weakened most banks' earnings power for the foreseeable future. As a result, we exited our holding in State Bank of India. Chinese financial services group Ping An fell on a deteriorating near-term growth outlook but we do not believe that this alters the long-term investment thesis.

Portfolio activity

We fundamentally reassessed our holdings in Shell and Aeroflot in terms of longer-term earnings power and potential for shareholder returns. With Shell having cut its dividend by two thirds and Aeroflot revising its funding structure, we decided to exit both. We also exited our holdings in telecom operators China Unicom and Indosat due to weak earnings developments and elevated investment needs.



Foto: Shutterstock

Key buys

We initiated a number of smaller positions during the quarter as well as a new investment in Indian IT services company Tech Mahindra. We see the company as well positioned to benefit from accelerating digitalisation and 5G technology spend. The company has a diversified revenue mix and a track record of large contract wins, which is under-appreciated by the market, in our view.



Foto: Shutterstock

Outlook

As a result of recent activity, the portfolio now consists of 42 attractively valued companies, down from 48 at the end of Q1. Consequently, the weight of our top holdings has increased, better reflecting our higher conviction. In terms of valuation, the portfolio now trades on 11x current year earnings and 0.8x P/B while offering a 3% dividend yield. These represent discounts of c30% relative to the MSCI EM index. Given the uncertain backdrop and rising polarisation of valuation between growth companies and value companies, we remain focused on the need to balance upside potential with downside protection across the portfolio.

SKAGEN Kon-Tiki investerer i en aktivt forvaltet og diversifisert portefølje av undervurderte selskaper hovedsakelig i vekstmarkedene.

Målet er å gi andelseierne best mulig risikojustert avkastning over tid.

Fondet passer for investorer som har minst fem års investeringshorisont.

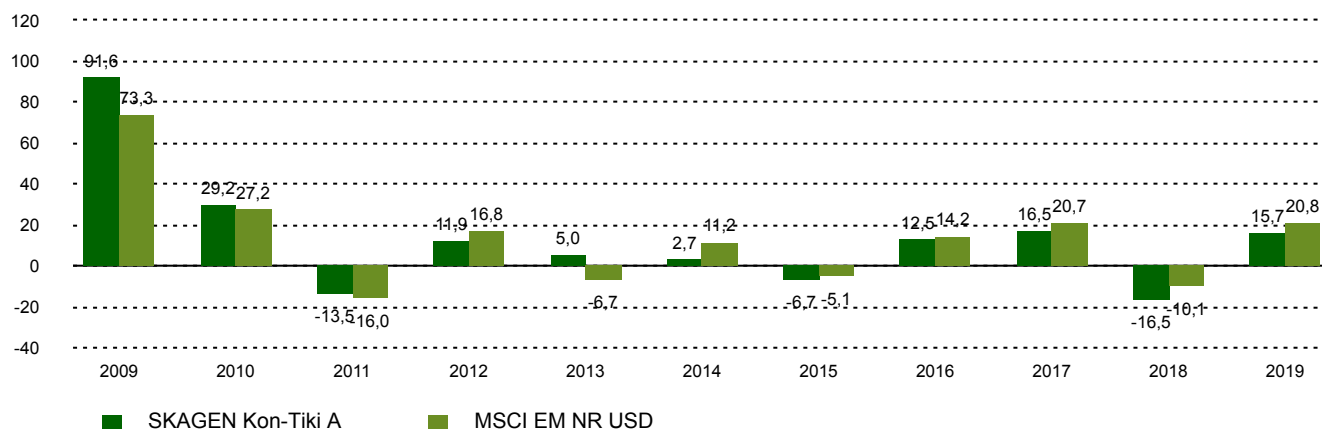
Historisk avkastning

Periode	SKAGEN Kon-Tiki A	Referanseindeks
Siste måned	6,6%	7,2%
Hittil i kvartal	15,8%	15,6%
Hittil i år	-14,2%	-9,8%
Siste år	-12,9%	-1,9%
Siste 3 år	-3,8%	2,7%
Siste 5 år	-0,9%	2,8%
Siste 10 år	2,4%	4,2%
Siden start	10,3%	7,0%

Fondsfakta

Type	Aksjefond
Domisil	Norge
Start dato	05.04.2002
Morningstarkategori	Globale vekstmarkeder
ISIN	NO0010140502
NAV	577,43 DKK
Årlig forvaltningshonorar	2.00%
Totalkostnad (2019)	1.51%
Referanseindeks	MSCI EM NR USD
Forvaltningskapital (mill.)	9474,57 DKK
Antall poster	42
Porteføljeforvalter	Cathrine Gether Fredrik Bjelland

Avkastning siste 10 år



Se nederst på neste side for mer informasjon om referanseindeks

Bidragstyttere i kvartalet



Største positive bidragstyttere

Navn	Vekt (%)	Bidrag (%)
Mahindra & Mahindra Ltd	3,30	1,53
Ivanhoe Mines Ltd	3,24	1,52
Naspers Ltd	7,10	1,06
LG Chem Ltd	2,14	1,06
Atlantic Sapphire ASA	3,25	0,96



Største negative bidragstyttere

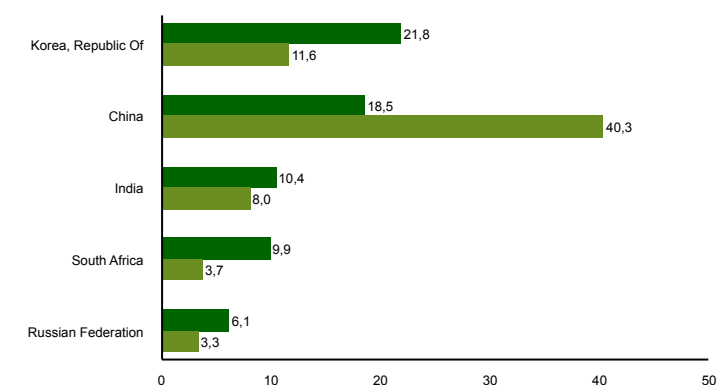
Navn	Vekt (%)	Bidrag (%)
Euronav NV	1,32	-0,45
Bank of China Ltd	3,64	-0,44
Ping An Insurance Group	7,30	-0,35
State Bank of India	0,55	-0,33
Ghana Commercial Bank Ltd	0,95	-0,32

I NOK for alle andelsklasser

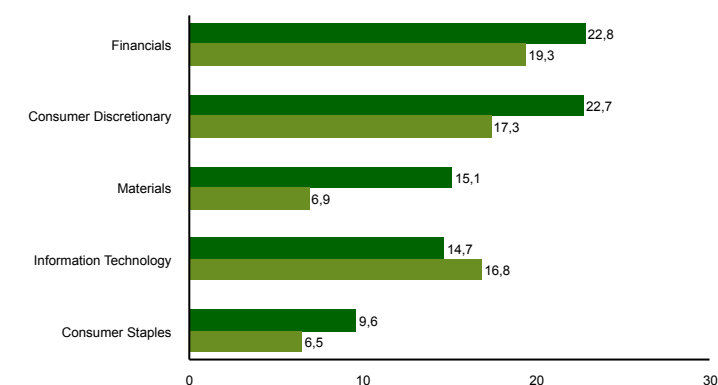
10 største investeringer

Navn	Sektor	Land	%
Naspers Ltd	Consumer Discretionary	South Africa	8,0
Samsung Electronics Co Ltd	Information Technology	Korea, Republic Of	7,8
Ping An Insurance Group Co of China Ltd	Financials	China	7,3
UPL Ltd	Materials	India	4,4
Ivanhoe Mines Ltd	Materials	Canada	3,9
LG Electronics Inc	Consumer Discretionary	Korea, Republic Of	3,8
Mahindra & Mahindra Ltd	Consumer Discretionary	India	3,7
Hyundai Motor Co	Consumer Discretionary	Korea, Republic Of	3,7
Bank Of China Ltd	Financials	China	3,6
Atlantic Sapphire AS	Consumer Staples	Norway	3,4
Samlet vekting			49,6

Landeksponering (topp 5)



Bransjefordeling (topp 5)


■ SKAGEN Kon-Tiki A
■ MSCI EM NR USD

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Viktig informasjon

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